BUDGET RESOLUTION CONFERENCE/Passage

SUBJECT: **Conference report to accompany the House Concurrent Budget Resolution for fiscal years 1997-2002. H.Con. Res. 158. Agreeing to the conference report.**

ACTION: CONFERENCE REPORT AGREED TO, 53-46

SYNOPSIS: The conference report to accompany the House Concurrent Budget Resolution for fiscal years 1997-2002, will balance the Federal budget in fiscal year (FY) 2002 by slowing the overall rate of growth in spending over the next 6 years to below the rate of growth in revenue collections. The rate of growth in entitlements such as Medicare, Medicaid, the Aid to Families with Dependent Children program, and the Earned Income Credit will be slowed. No changes will be made to the Social Security program (for related debate, see vote Nos. 149-150). Additionally, a $500 per child tax credit will be provided, domestic discretionary spending will be kept at the level necessary to maintain programs at their FY 1996 level (see vote No. 153), and defense spending essentially will remain at its present level for the next 6 years (see vote No. 113).

(in billions)

F i s c a l B u d g e t

YearRevenuesAuthorityOutlaysDeficit——-

1997$1,469$1,644$1,622$1531998$1,533$1,697$1,679$1471999$1,601$1,740$1,718$1172000$1,676$1,792$1,765$892001$1,756$1,830$1,797$422002$1,846$1,885$1,842$4.6(surplus)

In addition to overall totals, budget resolutions contain totals for broad function categories. They do not dictate the amounts to be spent on specific programs, but they are based on assumptions of spending levels. Those spending levels may be based in part on assumed changes to current law. Reconciliation instructions in a budget resolution direct authorizing committees to suggest changes to direct spending and revenues in order to meet the assumed revenue and spending levels. Assumptions on which the totals in this resolution are based include the following:

- Welfare reform: comprehensive welfare reform consistent with the National Governors' Association proposals will be enacted, for 6 year savings of $53 billion; total welfare spending will grow from $85 billion in FY 1996 to $106 billion in FY 2002;

(See other side)

YEAS (53)

Republicans (53 or 100%)

Abraham, Ashcroft, Bennett, Bond, Brown, Burns, Campbell, Chafee, Coats, Cochran, Cohen, Coverdell, Craig, D'Amato, DeWine, Domenici, Faircloth, Frahm, Frist, Gorton, Gramm, Grams, Grassley, Gregg, Hatch, Hatfield, Helms, Hutchison, Inhofe, Jeffords, Kassebaum, Kempthorne, Kyl, Lott, Lugar, Mack, McCain, McConnell, Murkowski, Nickles, Pressler, Roth, Santorum, Shelby, Simpson, Smith, Snowe, Specter, Stevens, Thomas, Thompson, Thurmond, Warner

Democrats (0 or 0%)

NAYS (46)

Republicans (0 or 0%)

Democrats (46 or 100%)

Akaka, Baucus, Biden, Bingaman, Boxer, Bradley, Breaux, Bryan, Byrd, Conrad, Daschle, Dodd, Dorgan, Exon, Feingold, Feinstein, Ford, Glenn, Graham, Harkin, Heflin, Hollings, Inouye, Johnston, Kennedy, Kerrey, Kerry, Kohl, Lautenberg, Leahy, Levin, Lieberman, Mikulski, Moseley-Braun, Moynihan, Murray, Nunn, Pell, Pryor, Reid, Robb, Rockefeller, Sarbanes, Simon, Wellstone, Wyden

NOT VOTING (1)

Republicans (0)

Democrats (1)

Bumpers-[2AN]

EXPLANATION OF ABSENCE:

1—Official Buisiness
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:

AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

- Medicaid reform: comprehensive Medicaid reform consistent with the National Governors' Association proposals will be enacted, for 6-year savings of $72 billion; total Medicaid spending will grow from $96 billion in FY 1996 to $137 billion in FY 2002;
- Medicare reform: comprehensive Medicare reform consistent with many of the market reforms for Part A advocated in last year's reconciliation bill and consistent with the President's suggested savings for Part B will be enacted; the Part B premium will remain at 25 percent; the growth in spending will be reduced $158 billion over 6 years by slowing the annual rate of growth in Medicare to twice the rate of inflation, or 6.2 percent; total spending will grow from $196 billion in FY 1996 to $282 billion in FY 2002; spending per beneficiary will grown from $5,200 in FY 1996 to $7,000 in FY 2002;
- tax relief: $122 billion in tax relief will be provided to working American families by providing a permanent $500 per child tax credit, which will be phased out for upper-income taxpayers;
- Defense: defense outlays will be $265 billion in FY 1997, and will climb slightly to $270 billion by FY 2002;
- Energy: the Senate and House agree to disagree on whether the resolution assumes the termination of the Energy Department, and note that the committees of jurisdiction will make that determination (the Senate version of the resolution opposed termination and the House version favored termination);
- Natural resources: the Superfund program will be reformed and will receive funding increases through special enforcement mechanisms; safe drinking water programs and the Environmental Protection Agency (EPA) will have funding increases; the Park Service will receive yearly funding increases;
- Commerce: the Senate and House agree to disagree on whether the resolution assumes the termination of the Commerce Department, and note that the committees of jurisdiction will make that determination (the Senate version of the resolution opposed termination and the House version favored termination); the Savings Association Insurance Fund will be recapitalized;
- Education: $3.67 billion in student loan outlay savings will be achieved without raising costs or limiting access to student loans; savings will be achieved in the guaranteed loan program in conjunction with a cap on direct lending volume; a job training consolidation bill will be enacted (see 104th Congress, first session, vote No. 487);
- Veterans: $10.6 billion more in budget authority will be provided for veterans' programs than requested by the President; and
- Law enforcement: $4.7 billion in FY 1997 will be provided for the Violent Crime Reduction Trust Fund; full funding will be provided to enforce the Antiterrorism and Effective Death Penalty Act.

Budget enforcement and reconciliation procedures:

- discretionary spending caps will be maintained through FY 2002, with separate caps for defense and nondefense discretionary spending; the point of order against transferring funds between defense and nondefense spending will be maintained (that point of order will be waivable by a three-fifths majority vote);
- the proceeds and costs from asset sales will not be scored (for related debate, see vote Nos. 145-146);
- up to three reconciliation bills may be considered; the first bill will be submitted on June 21, the second on July 24, and the third on September 18; the first bill will likely, but will not necessarily, make welfare, Medicaid, and tax relief proposals; the second bill will likely, but will not necessarily, make Medicare reform proposals; the third bill will likely, but will not necessarily, make tax relief and miscellaneous direct spending reform proposals; the offering of the second bill will not be contingent on the enactment of the first bill; the offering of the third bill will not be contingent upon the enactment of the first two bills; the scoring of the third bill, which will provide tax relief, will include the net budgetary effect of the first two bills;
- a deficit-neutral reserve fund (to be paid for through tax reform) will be created for additional tax relief;
- a reserve fund will be created for the Superfund program, which will be funded by extending expiring taxes if the program is reformed to provide for the actual cleanup of hazardous waste sites (most program costs are now administrative and legal); and
- the nondefense discretionary outlay level will be adjustable in FY 1997 to avoid a Federal Government shutdown.
- Sense-of-the-Senate statements include that it is the sense of the Senate that--
- concurrent resolutions should contain 30-year projections on their effects on entitlements, and the President's budget submission should contain similar projections, plus generational accounting information;
- President Clinton's 4.3-cent gas tax should be repealed, and the savings should be passed on to consumers;
- sufficient funding should be provided for programs to assist youths at risk of becoming drug users or violent criminals; priority should be given to such programs that can be objectively shown to work; such programs should be coordinated to eliminate duplication;
- budget savings in the mandatory spending area should be used to ensure the long-term solvency of Social Security, Medicare, and Medicaid, and to restore budget discipline in order to ensure the level of private investment necessary for long-term economic growth and prosperity;
- funding for the National Institutes of Health should be increased for research into developing an anti-addiction drug;
- any Federal training will take place on Federal property unless Federal property is not available;
- proceeds from the sale of Iraqi oil should be used to reimburse the United States for its military operations to protect Iraqi civilians from their government (see vote No. 137);
- sufficient funding will be provided to continue providing essential air service to eligible communities;
- legislation will be enacted to make the deductible limits for investment retirement accounts (IRAs) for homemakers the same

as the limits for other IRAs;

- the employer education assistance exclusion will be extended;
- the Davis Bacon Act should be reformed (see vote No. 135; for related debate, see vote No. 134);
- no provisions in this resolution should worsen the solvency of the Medicare trust fund;
- the current presidential campaign finance system should not be changed; and
- 0.5 cents of the gas tax should be set aside for Amtrak capital spending (see vote No. 154).

Sense-of-Congress statements include that it is the sense of Congress that--

- tax reductions should benefit working families;
- a bipartisan commission should be formed on the solvency of Medicare;
- fines for violating environmental laws should not be tax deductible;
- savings in student loans can be achieved without increasing costs to students or decreasing loan accessibility;
- any comprehensive welfare reform proposal that is adopted will, to the maximum extent possible, discourage out-of-wedlock births and encourage family formation;
- Congress will not adopt any legislation that will increase the number of children who are hungry or homeless (see vote No. 127);
- States should be allowed to require welfare recipients to be drug-free as a condition of receiving welfare, and should be allowed to use random drug testing (see vote No. 133);
- accurate inflation indices for Federal spending and revenues should be used (see vote No. 138);
- any comprehensive strategy to balance the budget should also contain a strategy for reducing the national debt;
- when spectrum auctions are assumed in the budget resolution the Federal Communications Commission should act expeditiously to make sure they take place;
- the existing prohibition against additional charges by providers under the Medicare program should be maintained in the reconciliation bill (see vote No. 130);
- changes should not be made to Federal nursing home standards in the reconciliation bill (see vote No. 132);
- Medicaid impoverishment rules should be maintained in the reconciliation bill (see vote No. 133);
- the President's plan to transfer home health care services from Part A to Part B of Medicare would artificially inflate the solvency of the Part A trust fund and would increase the burden on general revenues by $55 billion (see vote No. 118);
- the Clinton Administration should vigorously prosecute drug smugglers (prosecutions have declined despite increased smuggling and increased funding from Congress to prosecute smugglers; see vote No. 143); and
- the Democrats' 1993 income tax increase on Social Security benefits should be repealed (see vote No. 142).

Those favoring passage contended:

The Republicans have again put forward a budget plan conference report that will continue on the path to a balanced budget by 2002. This conference report carefully follows the priorities that were in the Senate-passed budget resolution. Domestic discretionary spending will essentially be frozen at its present level, Social Security will not be changed, the rate of growth in other entitlement spending will be slowed, and $122 billion in family tax relief will be provided.

This plan is honest because it addresses the cause of our deficit spending, which is the uncontrolled growth of entitlement programs. Any plan that does not honestly restrain the growth of those programs is a fraud. If nothing is done, by 2006 nearly every penny in revenues collected by the Government will be spent on just four entitlements (Medicare, Medicaid, Federal civilian and military retirement, and Social Security) and interest on the debt. Thus, cutting appropriated accounts is not the answer. To balance the budget by 2006 by making such cuts we would have to eliminate virtually all discretionary spending, whether on defense, education, the environment, or any other area. Similarly, raising taxes is not the answer. People simply do not make enough money to support the growth in these programs. Americans already are taxed, directly and indirectly, at a rate of more than 50 percent. That burden cannot be incessantly raised.

President Clinton has yet to address in any honest manner the problem of entitlement growth. In fact, his only substantive entitlement proposal he has made since becoming President was his proposal last Congress to create a massive new entitlement program as part of his plan to federalize health care. Thus, with the Federal Government growing like a cancer, the one solution President Clinton has been willing to offer to date has been to make that cancer bigger. Throughout his presidency, he has stubbornly refused to face the reality that the United States will become bankrupt in the near future without entitlement reforms. His budget submission this year is no different. The only large entitlement "reform" he proposes is in Medicare. That "reform" is to say that $55 billion of its spending will come from the general fund of the Treasury instead of the Medicare trust fund, and he therefore says that Medicare will go broke in 10 years instead of in 2001. The real amount the Federal Government will spend, of course, will remain unchanged.

This Medicare change is not the only gimmick in the President's budget; his entire budget is a fraud. Basically, he claims to balance the budget by saying that whomever happens to be President in fiscal years 2001 and 2002, and whomever happens to be in Congress in those years, will make enormous, unspecified cuts in discretionary spending, but for now he wants to increase spending. Making matters even more dishonest, those "cuts" are not reflected in his specific spending proposals for discretionary spending in those years. Instead, for specific programs, he suggests more than $100 billion more in spending in those 2 years than will be available. In FY 2002 alone his specific plan is for a future Congress and a future President to spend $84 billion more money than will be available if the budget is going to balance. Basically, the President has two sets of books. In the book with all the details, he plans on massive deficit spending. In the little bitty book, he says that some future President and Congress will make great big cuts, but he not only does not have the guts to make cuts now, he does not even have the courage to say what cuts that future President and Congress will make. In this era of sound-bite politics, President Clinton is betting that he will be able to get away with keeping two sets of books. He thinks that sounding like a Republican by saying he has a balanced budget proposal will be enough to get him reelected. Whether he is right or not, though, will not change the fact that entitlement programs are going to have to be reformed, and soon, or the United States will go broke, forcing our children and grandchildren into poverty. The American people may be fooled by two sets of books, but the Federal Government cannot lie its way out of debt.

Many congressional Democrats understand the need for reforms, and many of them supported an honest, bipartisan substitute budget resolution. However, without the President's support, they would never have backed any legislation to implement the priorities in that resolution. If the President were to have vetoed any reconciliation bill or any appropriations bill based on that compromise resolution, we guarantee that Democrats would have found a reason to sustain his veto, especially in an election year. Still, the support for a credible budget alternative by some of our Senate Democratic colleagues was encouraging. They, at least, are willing to compromise. Had the President indicated his support for that compromise it would likely have passed, and implementing legislation would have been enacted. Instead, he chose confrontation.

Other of our Democratic colleagues tell us that we should have been willing to move toward the President's proposed priorities. Frankly, those priorities are unclear because they are based on gimmicks. The only way we could compromise would be by balancing the budget with gimmicks as well. We could even play a game of one-upmanship. We could pass a budget, for example, with an extra trillion dollars or two of specific spending proposals. We could propose that every kid in America would get a scholarship to Harvard, every adult would get a free, shiny new car, and anyone who was not working would get to be a Federal bureaucrat so they could be paid for doing nothing. Then, we could add a little line in our other budget books that said we planned on someone more responsible than ourselves making spending cuts in FY 2002.

We would be thrilled if the President were to drop his gimmicks and face reality. The sooner he does so, the less severe the reforms will have to be. The longer he waits, the worse the problem will get. Until the President faces reality, though, we will not join him in proposing gimmicks. We will continue to put forward our honest plans for balancing the budget, and when he is willing to enter the debate, we will gladly join him in working out a compromise approach.

Those opposing passage contended:

We favor a balanced budget, which is why we voted for the President's budget proposal. That proposal was scored by the Congressional Budget Office as reaching balance in FY 2002. Our colleagues tell us that his proposal was a gimmick because it did not specify specific program cuts in FYs 2001 and 2002, but we do not see anything sinister in that fact. The truth is that his budget proposal does not specify those cuts because they will almost certainly not be necessary. Under CBO scoring, very pessimistic economic growth assumptions are required. We, and the President, think that growth will be greater and that revenues will thus be greater. Specific spending proposals should reflect the growth we actually expect. However, the President's budget also says that if he is wrong, he is willing to make the hard choices necessary in FYs 2001-2002 to balance the budget. We agree with that approach.

The real difference between the Republicans' plan and the Democrats' plan is the way in which each would balance the budget. The Democrats want to spend more money on the disabled, on the poor, and on the elderly. They want to spend more money to clean up the environment, to educate our children, and to rebuild our roads and bridges. Republicans, on the other hand, support cutting most Government programs. They see Government as almost a malevolent force that needs to be drastically cut back.

Republicans need to learn to compromise. With this harsh budget resolution, they have Congress charging down the same dead-end road it barrelled down last year. The end result of this process will be vetoes and Government paralysis. We do not understand our colleagues' logic. Again they have presented a budget prepared entirely by Republicans, reflecting Republican priorities, that we, as Democrats, have no choice but to reject.